

TOWNSHIP OF LEE
Midland County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2007

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Lee	County Midland
Fiscal Year End March 31, 2007	Opinion Date September 7, 2007	Date Audit Report Submitted to State September 17, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

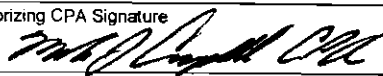
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.		Telephone Number (989)894-1040	
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
Zip 48707			
Authorizing CPA Signature 		Printed Name Mark Campbell	License Number 1885282

**LEE TOWNSHIP, MIDLAND COUNTY
ANNUAL FINANCIAL REPORT
YEAR ENDED MARCH 31, 2007**

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INTRODUCTORY SECTION

**LEE TOWNSHIP, MIDLAND COUNTY
TOWNSHIP OFFICIALS
YEAR ENDED MARCH 31, 2007**

SUPERVISOR

David Yost

TRUSTEES

Mike Glynn

Dale Wolfgang

TREASURER

William Stewart

CLERK

Ronald Rippee

DEPUTY CLERK

Doris French

FINANCIAL SECTION

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

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P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

September 7, 2007

INDEPENDENT AUDITOR'S REPORT

To the Township Board
Township of Lee
Midland County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Lee, Midland County, Michigan as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Lee's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Lee, Midland County, Michigan as of March 31, 2007, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

LEE TOWNSHIP, MIDLAND COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Lee Township, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2007. We encourage readers to consider the information presented here in conjunction with the financial report. All amounts, unless otherwise indicated, are presented in whole dollars.

Financial Highlights

The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$1,926,315 (net assets). Of this amount, \$1,624,826 (unrestricted net assets) may be used to meet the government's ongoing obligations to the citizens and creditors.

The government's total net assets increased by \$231,699. This increase is attributable to an approximate \$457,812 of general revenues offsetting a \$226,143 loss from operating activities.

As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1,624,615, an increase of \$209,318 in comparison with the prior year. This increase is primarily due to an increase in special assessment revenues for solid waste and grants received for the renovation and construction of a pavilion, tables and barbeque at the Township park. The total of the fund balances is available for spending at the government's discretion (unreserved-undesignated fund balance).

At the end of the current fiscal year, unreserved fund balance for the general fund was \$1,091,250 or approximately 251 percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction of the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., special assessments).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include legislative, general government, public safety, public works, and Debt Service. The Township currently does not have operations that are classified as business-type activities.

The government-wide financial statements can be found on pages 17 and 18 of this report.

LEE TOWNSHIP, MIDLAND COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Township maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Fire Fund and Solid Waste Fund, all of which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in the report.

The Township adopts an annual appropriated budget for its general fund and all major special revenue fund types. Budgetary comparison statements have been provided in the supplemental section of the report to demonstrate the extent of compliance with these budgets.

The basic governmental fund financial statements can be found on pages 19 through 20 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 23 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents other supplementary information in connection with nonmajor governmental funds. Combining and individual fund statements and schedules can be found on pages 41 through 42 of this report.

LEE TOWNSHIP, MIDLAND COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide Financial Analysis

The following summaries provide a perspective of the financial information of the Township as a whole:

Lee Township's Net Assets.

	2007	2006
Current and other assets	\$ 1,680,297	\$ 1,482,686
Capital assets	301,489	279,348
Total assets	1,981,786	1,762,034
Other liabilities	55,471	67,388
Net assets:		
Invested in capital assets, net of related debt	301,489	279,348
Restricted	-	-
Unrestricted	1,624,826	1,415,298
Total net assets	\$ 1,926,315	\$ 1,694,646

Lee Township's Changes in Net Assets

	2007	2006
Revenues:		
Program revenues:		
Charges for Services	\$ 393,707	\$ 334,274
Capital Grants and Contributions	40,000	-
General Revenues:		
Property taxes	63,566	56,878
Other	394,246	370,685
Total Revenues	891,519	761,837
Expenses:		
General Government	178,523	155,491
Public Safety	143,973	161,008
Public Works	276,103	265,062
Community and Economic Development	8,550	-
Recreation and Culture	52,701	44,596
Total Expenses	659,850	626,157
Increase in net assets before transfers	231,669	135,680
Transfers	-	-
Increase in net assets	231,669	135,680
Net Assets - April 1	1,694,646	1,558,966
Net Assets - March 31	\$ 1,926,315	\$ 1,694,646

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Lee Township, assets exceeded liabilities by \$1,926,315 at the close of the most recent fiscal year.

LEE TOWNSHIP, MIDLAND COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

A portion of the Township's net assets (16 percent) reflects its investment in capital assets (e.g., land, equipment, infrastructure), less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net assets (\$1,624,826) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets for the government as a whole.

The government's net assets increased by \$231,669 during the current fiscal year. Much of this increase can be contributed to an approximate \$457,812 of general revenues offsetting an approximate \$226,143 loss from operating activities.

Governmental activities. Governmental activities increased the Township's net assets by \$231,669. The key element of this increase as stated above was the influx of special assessments and grants received for the Township's park project.

Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1,624,615, an increase of \$209,318 in comparison with the prior year. The key element of this increase can be attributed to an increase in special assessment revenues for solid waste and grants received for the renovation and construction of a pavilion, tables, and barbeque at the Township's park. The total ending fund balance constitutes unreserved fund balance, which is available for spending at the government's discretion.

The General fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,091,250.

The fund balance of the Township's general fund increased by \$54,216 during the current fiscal year. The key element of this increase can be attributed to approximately \$40,000 of grant revenues for the park project and the remaining amount due to operating revenues in excess of expenditures.

The Fire Fund experienced a increase of \$83,794 in its fund balance. This increase is due primarily to an increase in fire contract and special assessment revenues.

The Solid Waste Fund experienced an increase of \$71,637 and this increase is attributable to an increase in special assessment revenues.

Nonmajor Governmental fund increases in fund balance occurred and are consistent with increases experienced by the Township in recent years.

LEE TOWNSHIP, MIDLAND COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

General Fund Budgetary Highlights

For the fiscal year of 2006-2007 Lee Township continued its practice of building up fund balance in its General and Special Revenue Funds. The annual budget was approved by the Township Board in March of 2006 as required by the State of Michigan, and was amended by the Board throughout the fiscal year of 2006-2007.

The budget was amended twice during the fiscal year. The first amendment accommodated expenditures for building and grounds maintenance. The amendment transferred budgeted funds from the contingency account to the hall building and grounds activity leaving no change in budgeted fund balance. The second increased budgeted revenues and expenditures in the parks and recreation activity to provide for the grants received for the renovation and construction of a park pavilion, tables and barbeque. This amendment also left no change in budgeted fund balance.

Capital Asset Administration

Capital Assets. The Township's investment in capital assets for its governmental activities as of March 31, 2007, amounts to \$301,489 (net of accumulated depreciation). This investment in capital assets includes land, equipment, and park improvements.

Lee Township's Capital Assets (net of depreciation)

	2007	2006
Land	\$ 35,561	\$ 14,133
Buildings	47,996	52,240
Park Improvements	34,002	13,147
Equipment and Vehicles	183,930	199,828
Total	<u>\$ 301,489</u>	<u>\$ 279,348</u>

Additional information on the Township's capital assets can be found in Note 6 of this report.

Economic Factors

As the Township continues to grow in size and in services the economic factors will certainly change and reflect the direction that the community has taken. The Board and staff of the Township are committed to working together to get the most out of every dollar and serve in the most responsible manner possible.

Requests for information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Township Hall.

BASIC FINANCIAL STATEMENTS

**LEE TOWNSHIP, MIDLAND COUNTY
GOVERNMENT WIDE
STATEMENT OF NET ASSETS
MARCH 31, 2007**

Statement I

**Governmental
Activities**

ASSETS

Current Assets

Cash and Investments	\$ 1,525,721
Due From State	53,596
Prepaid Expenses	12,861
Property Taxes Receivable	8,686
Special Assessments Receivable	60,236
Interest Receivable	19,197
Total Current Assets	1,680,297

Noncurrent Assets

Capital Assets

Land	2,650
Land Improvements	45,547
Buildings, Additions & Improvements	149,179
Equipment	74,700
Parks & Improvements	66,406
Vehicles	306,565
Less Accumulated Depreciation	(343,558)
Total Capital Assets	301,489
Total Assets	\$ 1,981,786

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 52,504
Due to Other Governments	638
Payroll Withholdings Payable	2,329
Total Current Liabilities	55,471

Net Assets

Invested in Capital Assets, Net of Related Debt	301,489
Unrestricted	1,624,826
Total Net Assets	1,926,315
Total Liabilities and Net Assets	\$ 1,981,786

The notes to the financial statements are an integral part of this statement.

**LEE TOWNSHIP, MIDLAND COUNTY
GOVERNMENT WIDE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2007**

Statement II

Functions / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities
Primary Government:				
Governmental Activities				
General Government	\$ 178,523	\$ 5,692	\$ -	\$ (172,831)
Public Safety	143,973	188,132	-	44,159
Public Works	276,103	197,635	-	(78,468)
Community and Economic Development	8,550	2,248	-	(6,302)
Recreation and Culture	52,701	-	40,000	(12,701)
Total Governmental Activities	659,850	393,707	40,000	(226,143)
General Revenues:				
Property Taxes				63,566
Revenue Sharing				334,981
Interest and Dividends				58,776
Other				489
Total General Revenues				457,812
Changes in Net Assets				231,669
Net Assets - April 1				1,694,646
Net Assets - March 31				\$ 1,926,315

The notes to the financial statements are an integral part of this statement.

**LEE TOWNSHIP, MIDLAND COUNTY
GOVERNMENTAL FUNDS
BALANCE SHEET
MARCH 31, 2007**

STATEMENT III

	General Fund	Fire Fund	Solid Waste Fund	Other Nonmajor Governmental Funds	Total
<u>ASSETS</u>					
Cash & Cash Equivalents	\$ 1,139,858	\$ 379,360	\$ -	\$ -	\$ 1,519,218
Due From Other Funds	39,182	-	113,315	10,694	163,191
Due From State	53,596	-	-	-	53,596
Property Taxes Receivable	8,686	-	-	-	8,686
Special Assessments Receivable	-	19,597	39,824	815	60,236
Interest Receivable	17,708	1,489	-	-	19,197
Prepaid Expenses	7,136	5,725	-	-	12,861
TOTAL ASSETS	\$ 1,266,166	\$ 406,171	\$ 153,139	\$ 11,509	\$ 1,836,985
<u>LIABILITIES AND FUND BALANCE</u>					
LIABILITIES					
Accounts Payable	\$ 47,728	\$ 4,776	\$ -	\$ -	\$ 52,504
Payroll Withholdings Payable	2,330	-	-	-	2,330
Due To Other Governments	638	-	-	-	638
Due To Other Funds	124,010	32,678	-	-	156,688
Deferred Revenue	210	-	-	-	210
TOTAL LIABILITIES	174,916	37,454	-	-	212,370
FUND BALANCE					
Unreserved - Undesignated, Reported in:					
General Fund	1,091,250	-	-	-	1,091,250
Special Revenue Funds	-	368,717	153,139	11,509	533,365
TOTAL FUND BALANCE	1,091,250	368,717	153,139	11,509	1,624,615
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,266,166	\$ 406,171	\$ 153,139	\$ 11,509	\$ 1,836,985

The notes to the financial statements are an integral part of this statement.

**LEE TOWNSHIP, MIDLAND COUNTY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2007**

Statement IV

	General Fund	Fire Fund	Solid Waste Fund	Other Nonmajor Governmental Funds	Total
REVENUE					
Property Taxes	\$ 63,348	\$ -	\$ -	\$ -	\$ 63,348
Special Assessments	-	133,346	195,125	2,510	330,981
State Grants	334,981	-	-	-	334,981
Private Grants	40,000	-	-	-	40,000
Charges for Services	5,328	-	-	-	5,328
Fire Contracts	-	54,786	-	-	54,786
Interest Earnings	44,687	14,090	-	-	58,777
Rents and Royalties	2,529	-	-	-	2,529
Other Revenue	-	580	-	-	580
TOTAL REVENUE	490,873	202,802	195,125	2,510	891,310
EXPENDITURES					
Current Operations					
General Government	167,237	-	-	-	167,237
Public Safety	8,091	119,008	-	-	127,099
Public Works	148,576	-	123,488	2,839	274,903
Community & Economic Development	8,550	-	-	-	8,550
Recreation & Culture	48,136	-	-	-	48,136
Other	7,397	-	-	-	7,397
Capital Outlay	48,670	-	-	-	48,670
TOTAL EXPENDITURES	436,657	119,008	123,488	2,839	681,992
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	54,216	83,794	71,637	(329)	209,318
FUND BALANCE - APRIL 1	1,037,034	284,923	81,502	11,838	1,415,297
FUND BALANCE - MARCH 31	\$ 1,091,250	\$ 368,717	\$ 153,139	\$ 11,509	\$ 1,624,615

The notes to the financial statements are an integral part of this statement.

**LEE TOWNSHIP, MIDLAND COUNTY
GOVERNMENTAL FUNDS
RECONCILIATION OF FUND BALANCE
TO THE STATEMENT OF NET ASSETS
MARCH 31, 2007**

Statement V

Amounts reported for governmental activities in the statement of net assets are different because:

Total Fund Balance of Governmental Funds (Statement III)	\$ 1,624,615
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	301,489
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	<u>211</u>
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Net Assets of Governmental Activities (Statement I)	<u><u>\$ 1,926,315</u></u>
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The notes to the financial statements are an integral part of this statement.

**LEE TOWNSHIP, MIDLAND COUNTY
GOVERNMENTAL FUNDS
RECONCILIATION OF STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITY
FOR THE YEAR ENDED MARCH 31, 2007**

Statement VI

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances - Total Governmental Funds (Statement IV)	\$ 209,318
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$48,670) exceeded depreciation (\$26,530) in the current period.	22,140
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The statement of activities reports current year assessment levies as revenue and the governmental funds do not. Also the governmental funds report special assessment collections as revenue while the statement of activities show them as reductions to the receivable.	<u>211</u>
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Change in Net Assets of Governmental Activities (Statement II)	<u>\$ 231,669</u>
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LEE TOWNSHIP, MIDLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Lee Township have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

A. Reporting Entity

Lee Township, Midland County, a general law township organized in October 1880 and covers approximately 36 square miles with the Township's seat located within the boundaries of the Township. The Township operates under the directorship of a Township board consisting of five members. The Township provides the following services: Public safety, highways and streets, culture and recreation, refuse collection, public improvements and general administrative services.

Component units. In evaluating how to define the government, for financial reporting purposes, management has considered all potential agencies and organizations. The decision to include a potential agency or organization in the reporting entity was made by applying the criteria set for by the Governmental Accounting Standards Board (GASB) Statement 14. Generally, component units are legally separate organizations for which the elected officials of the Township are financially accountable. Financial accountability is determined by the Township's ability to impose its will on the component unit, as well as the unit's significance regarding the operational and financial relationship with the Township. Based upon the application of this criteria, we found no other units that should be classified as component units.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on the fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

LEE TOWNSHIP, MIDLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Township reports the following major governmental funds:

The *General Fund* is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Fund* is a special revenue fund. It accounts for resources used to provide fire services to residents of the Township and the surrounding area.

The *Solid Waste Fund* is another special revenue fund. It accounts for the operation of the Township's solid waste disposal activities.

Additionally, the Township reports the following fund types:

Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The Township has elected not to follow subsequent private-sector guidance.

**LEE TOWNSHIP, MIDLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2007**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation (Continued)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are payments of utility charges between the Township's water and sewer function and various other functions of the Township. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including some special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Assets, liabilities, and net assets or equity

1) Deposits and Investments – The Township has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Investments are reported at fair value. State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

2) Receivables and Payables – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

Advance between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Personal property taxes receivable is shown net of an allowance for uncollectible. Property taxes are levied and due December 1, and become delinquent after February 14.

3) Inventories and Prepaid Items – The Township follows the policy of not recording inventories in governmental funds. The effect of not recording inventories is considered to be immaterial. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**LEE TOWNSHIP, MIDLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2007**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, liabilities, and net assets or equity (Continued)

4) Restricted Assets – Certain resources of the Township may be classified as restricted on the statement of net assets because their use is limited.

5) Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the time of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

Land & Park Improvements	10 to 25 years
Buildings	40 years
Building Improvements	10 to 25 years
Vehicles and Equipment	10 to 20 years
Flowage Rights	5 to 7 years

6) Compensated Absences (Vacation and Sick Leave) – It is the Township's policy that all vacation sick leave be used in the year in which it is earned. Unused leave time is not accrued and will not be paid upon termination.

7) Post Employment Benefits -- The Township provides no post-employment benefits to past employees.

8) Long-term Obligations – In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**LEE TOWNSHIP, MIDLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2007**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, liabilities, and net assets or equity (Continued)

8) Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets and Budgetary accounting

Annual budgets are adopted for the general and all special revenue funds. The budgets for all funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control adopted by the governing body is the department or activity level for all funds.

The Township does not record encumbrances in accounting during the year. Appropriations lapse at the end of the fiscal year and amounts are re-appropriated for expenditures to be incurred in the next fiscal year.

B. Excess of expenditures over appropriations in budgetary funds

P.A. 621 of 1978, Section 18(1), as amended, of the State of Michigan provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. Disclosure of all unfavorable appropriation variances based on the level of control exercised over the adopted budget is as follows:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund:			
Liquor Law Enforcement	\$ 850	\$ 852	\$ 2
Drains	25,000	32,403	7,403

NOTE 3 – CASH AND CASH EQUIVALENTS

Deposits are carried at cost. Deposits are in several financial institutions in the name of the Township Treasurer. Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority.

At year-end, the carrying value of cash and cash equivalents held by the Township is as follows:

	<u>Primary Government</u>
Petty Cash / Cash on Hand	\$ 400
Bank Deposits (CD, Checking, Savings)	1,525,321
Grand Totals - Cash and Cash Equivalents	<u>\$ 1,525,721</u>

LEE TOWNSHIP, MIDLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2007

NOTE 3 – CASH AND CASH EQUIVALENTS (Continued)

Deposits

There is custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. At year-end, the carrying amount of the Township's deposits with financial institutions was \$1,525,321 and the bank balance was \$1,554,418. Of the bank balance \$752,563 was covered by federal depository insurance and \$801,855 was uninsured and uncollateralized. Of the book balance \$752,563 was covered by federal depository insurance and \$772,758 was uninsured and uncollateralized.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations. As of year end, the Township did not have any investments that would be subject to rating.

Interest Rate Risk

The Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Township's cash requirements.

Concentration of Credit Risk

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so the impact of potential losses from any one type of security or issuer will be minimized.

Custodial Credit Risk

The Township will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities authorized by the Board and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Township will do business in accordance with Board approved policy.

NOTE 4 – RECEIVABLES

Receivables as of year-end for the government's individual major funds and component units, including the applicable allowances for uncollectible accounts, are as follows:

	General	Fire	Solid Waste	Non-Major	Total
Receivables:					
Taxes	\$ 8,686	\$ -	\$ -	\$ -	\$ 8,686
Special Assessments	-	19,597	39,824	815	60,236
Total Receivables	<u>\$ 8,686</u>	<u>\$ 19,597</u>	<u>\$ 39,824</u>	<u>\$ 815</u>	<u>\$ 68,922</u>

LEE TOWNSHIP, MIDLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2007

NOTE 5 – INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS

The composition of interfund balances in the fund statements is as follows:

Due To/From

<u>Receivable Fund</u>	<u>Payable Fund</u>	
General Fund	Fire Fund	\$ 32,679
General Fund	Current Tax Collection	6,503
Solid Waste Fund	General Fund	113,315
Oakridge Drive Special Assessment Fund	General Fund	3,398
Sian Drive Special Assessment Fund	General Fund	1,170
Ireland Drive Special Assessment Fund	General Fund	5,402
Manitou Trail Special Assessment Fund	General Fund	724
		<u>\$ 163,191</u>

The Township does not have separate cash accounts for special assessment funds, thus the net payable or receivable with General Fund represents the net revenue and expenses of that respective fund that is in the General Fund cash balance. The interfund between Fire and General is due to General Fund paying Fire expenses such as payroll, which will be reimbursed shortly after year-end.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Acquisitions</u>	<u>Sales & Dispositions</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,650	\$ -	\$ -	\$ 2,650
Capital assets being depreciated:				
Land Improvements	22,297	23,250	-	45,547
Buildings & Improvements	149,179	-	-	149,179
Equipment	74,700	-	-	74,700
Park Improvements	40,986	25,420	-	66,406
Vehicles	306,565	-	-	306,565
Total capital assets being depreciated	<u>593,727</u>	<u>48,670</u>	<u>-</u>	<u>642,397</u>
Less accumulated depreciation for:				
Land Improvements	10,814	1,822	-	12,636
Buildings & Improvements	96,939	4,244	-	101,183
Equipment	58,112	2,598	-	60,710
Park Improvements	27,839	4,565	-	32,404
Vehicles	123,325	13,300	-	136,625
Total accumulated depreciation	<u>317,029</u>	<u>26,529</u>	<u>-</u>	<u>343,558</u>
Total capital assets, being depreciated, net	<u>276,698</u>	<u>22,141</u>	<u>-</u>	<u>298,839</u>
Governmental activities capital assets, net	<u>\$ 279,348</u>	<u>\$ 22,141</u>	<u>\$ -</u>	<u>\$ 301,489</u>

**LEE TOWNSHIP, MIDLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2007**

NOTE 6 – CAPITAL ASSETS (Continued)

Depreciation was charged to functions/programs as follows:

Governmental activities:	
General Government	\$ 3,890
Public Safety	16,874
Public Works	1,200
Recreation & Culture	4,565
Total depreciation expense-governmental activities	<u>\$ 26,529</u>

NOTE 7 – DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent Personal Property Taxes	<u>\$ 210</u>	<u>\$ -</u>

NOTE 8 – RISK MANAGEMENT

The Township is exposed to various risks of loss related to claims, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township purchases commercial insurance to provide for these risks.

There was no change in coverage from the prior year. Settled claims have not exceeded the amounts of insurance coverage in any of the last three years.

NOTE 9 – RETIREMENT BENEFITS

The Township provides pension benefits to its employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan is administered by, Manufacturers Life Insurance Company. The Township is required to contribute 15% of the participant's salary. Employees are able to voluntarily contribute up to 10% of their after-tax salary. Plan provisions and contribution requirements are established and amended by the Township Board.

NOTE 10 – DEFERRED COMPENSATION PLAN

The Township does not have a deferred compensation plan.

NOTE 11 – BUILDING PERMITS

The Township of Lee does not issue building permits. Building permits are issued by the County of Midland.

**LEE TOWNSHIP, MIDLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2007**

NOTE 12 – RESTATEMENTS

An adjustment was made to restate the Net Assets at 3/31/2006 as follows:

Net Assets - March 31, 2006	\$ 1,723,647
Prior Period Restatement:	
Capital Assets	(36,252)
Accumulated Depreciation	<u>7,251</u>
Adjusted Net Assets - April 1, 2006	<u>\$ 1,694,646</u>

REQUIRED SUPPLEMENTAL INFORMATION

**LEE TOWNSHIP, MIDLAND COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2007**

Exhibit A

	Budgeted Amounts			Variance with Final Budget - Under (Over) Budget
	Original	Final	Actual Amounts	
REVENUE				
Taxes	\$ 56,958	\$ 56,958	\$ 63,348	\$ (6,390)
Intergovernmental Revenue	335,455	335,455	334,981	474
Interest	15,000	15,000	44,687	(29,687)
Other Revenue	-	40,000	47,857	(7,857)
TOTAL REVENUE	407,413	447,413	490,873	(43,460)
EXPENDITURES				
General Government				
Township Board	66,549	46,549	24,331	22,218
Trustees	21,680	21,680	13,171	8,509
Supervisor	25,570	25,570	19,015	6,555
Clerk	44,170	44,170	25,790	18,380
Audit	8,000	8,000	4,967	3,033
Board of Review	2,600	2,600	1,151	1,449
Treasurer	38,670	38,670	28,286	10,384
Assessor	22,500	22,500	18,738	3,762
Elections	11,600	11,600	5,237	6,363
Building and Grounds	25,600	25,600	12,606	12,994
Attorney	15,000	15,000	4,062	10,938
Cemetery	26,000	26,000	9,882	16,118
Public Safety				
Liquor Law Enforcement	850	850	852	(2)
Ordinance Enforcement	8,630	8,630	7,240	1,390
Public Works				
Drains	25,000	25,000	32,403	(7,403)
Highways and Streets	121,500	121,500	86,734	34,766
Street Lighting	7,000	7,000	5,091	1,909
Water and Sewer	50,000	50,000	24,348	25,652
Community & Economic Development				
Planning	15,450	15,450	6,951	8,499
Zoning	6,550	6,550	1,599	4,951
Recreation & Culture				
Parks and Recreation	19,400	42,400	23,055	19,345
Library	30,000	30,000	25,081	4,919
Other Functions	15,000	15,000	7,397	7,603
Capital Outlay	25,000	62,000	48,670	13,330
TOTAL EXPENDITURES	632,319	672,319	436,657	235,662
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(224,906)	(224,906)	54,216	(279,122)
Fund Balance - Beginning	353,836	353,836	1,037,034	(683,198)
Fund Balance - Ending	\$ 128,930	\$ 128,930	\$ 1,091,250	\$ (962,320)

**LEE TOWNSHIP, MIDLAND COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - FIRE FUND
FOR THE YEAR ENDED MARCH 31, 2007**

Exhibit B

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Under (Over) Budget
	Original	Final		
REVENUE				
Taxes	\$ 125,907	\$ 125,907	\$ 133,346	\$ (7,439)
Interest and Dividends	-	-	14,090	(14,090)
Other Revenue	75,340	75,340	55,366	19,974
TOTAL REVENUE	201,247	201,247	202,802	(1,555)
EXPENDITURES				
Public Safety	363,719	363,719	119,008	244,711
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(162,472)	(162,472)	83,794	(246,266)
 Fund Balance - Beginning	 322,075	 322,075	 284,923	 37,152
 Fund Balance - Ending	 \$ 159,603	 \$ 159,603	 \$ 368,717	 \$ (209,114)

**LEE TOWNSHIP, MIDLAND COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - SOLID WASTE FUND
FOR THE YEAR ENDED MARCH 31, 2007**

Exhibit C

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Under (Over) Budget
	Original	Final		
REVENUE				
Special Assessment	\$ 146,585	\$ 146,585	\$ 195,125	\$ (48,540)
EXPENDITURES				
Refuse Collection/ Disposal	<u>146,585</u>	<u>146,585</u>	<u>123,488</u>	<u>23,097</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	-	-	71,637	(71,637)
Fund Balance - Beginning	<u>67,892</u>	<u>67,892</u>	<u>81,502</u>	<u>(13,610)</u>
Fund Balance - Ending	<u>\$ 67,892</u>	<u>\$ 67,892</u>	<u>\$ 153,139</u>	<u>\$ (85,247)</u>

OTHER SUPPLEMENTAL INFORMATION

LEE TOWNSHIP, MIDLAND COUNTY
OTHER SUPPLEMENTAL INFORMATION
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
MARCH 31, 2007

Exhibit D

	<u>Special Revenue Funds</u>				
	<u>Oakridge Drive Special Assessment</u>	<u>Sian Drive Special Assessment</u>	<u>Ireland Drive Special Assessment</u>	<u>Manitou Trail Special Assessment</u>	<u>Total</u>
<u>ASSETS</u>					
Special Assessments Receivable	\$ 200	\$ 225	\$ 390	\$ -	\$ 815
Due From Other Funds	<u>3,398</u>	<u>1,170</u>	<u>5,402</u>	<u>724</u>	<u>10,694</u>
TOTAL ASSETS	<u>\$ 3,598</u>	<u>\$ 1,395</u>	<u>\$ 5,792</u>	<u>\$ 724</u>	<u>\$ 11,509</u>
<u>FUND BALANCE</u>					
Unreserved - Undesignated	<u>\$ 3,598</u>	<u>\$ 1,395</u>	<u>\$ 5,792</u>	<u>\$ 724</u>	<u>\$ 11,509</u>

**LEE TOWNSHIP, MIDLAND COUNTY
OTHER SUPPLEMENTAL INFORMATION
COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2007**

Exhibit E

	Special Revenue Funds				
	Oakridge Drive Special Assessment	Sian Drive Special Assessment	Ireland Drive Special Assessment	Manitou Trail Special Assessment	Total
REVENUE					
Special Assessments	\$ 600	\$ 525	\$ 1,140	\$ 245	\$ 2,510
EXPENDITURES					
Public Works	613	804	1,281	141	2,839
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(13)	(279)	(141)	104	(329)
FUND BALANCE - APRIL 1	3,611	1,674	5,933	620	11,838
FUND BALANCE - MARCH 31	\$ 3,598	\$ 1,395	\$ 5,792	\$ 724	\$ 11,509

LEE TOWNSHIP, MIDLAND COUNTY
OTHER SUPPLEMENTAL INFORMATION
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
CURRENT TAX COLLECTION FUND
YEAR ENDED MARCH 31, 2007

Exhibit F

	Balance 4/1/06	Additions	Deductons	Balance 3/31/07
Assets:				
Cash and Cash Equivalents	<u>\$ 7,646</u>	<u>\$ 2,116,538</u>	<u>\$ 2,117,681</u>	<u>\$ 6,503</u>
Liabilities:				
Due to Other Funds	\$ 7,646	\$ 390,429	\$ 391,572	\$ 6,503
Due to Others	<u>-</u>	<u>1,726,109</u>	<u>1,726,109</u>	<u>-</u>
Total Liabilities	<u>\$ 7,646</u>	<u>\$ 2,116,538</u>	<u>\$ 2,117,681</u>	<u>\$ 6,503</u>

**LEE TOWNSHIP, MIDLAND COUNTY
OTHER SUPPLEMENTAL INFORMATION
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
CURRENT TAX COLLECTION FUND
YEAR ENDED MARCH 31, 2007**

Exhibit G

Cash in Bank - April 1, 2006	\$ 7,646
Cash Receipts:	
Property Taxes	2,116,386
Interest	<u>152</u>
Total Cash Receipts	<u>2,116,538</u>
Total Beginning Balance and Cash Receipts	2,124,184
Cash Disbursements:	
Township General Fund	53,448
Township Fire Fund	131,757
Special Assessments	197,635
Midland County	929,253
Breckenrdge School District	61,808
Bullock Creek School District	526,523
Delta College	123,151
Midland County ESA	71,923
Meridian School District	14,007
Refunds	<u>8,176</u>
Total Cash Disbursements	<u>2,117,681</u>
Cash in Bank - March 31, 2007	<u>\$ 6,503</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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KENNETH P. KUSTERER, CPA

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

September 7, 2007

To the Township Board
Township of Lee
Midland County, Michigan

We have audited the financial statements of the Township of Lee for the year ended March 31, 2007. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Lee in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Lee
Midland County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

BUDGETING

During the fiscal year ended March, 31, 2007, Township expenditures exceeded budgeted amounts in two activities. We recommend that the Township Board adopt and amend the budgets in compliance with state law.

INVESTMENT POLICY

As of March 31, 2007, the Township Board has not adopted an investment policy. We recommend that the Township Board adopt an investment policy as soon as possible.

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the general ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2007.

To the Township Board
Township of Lee
Midland County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,


CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants